

## Article

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# *The HR Management Perspective on the Elimination of Mandatory Retirement in Ontario*

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*Effective as of December, 2006, an end to mandatory retirement was legislated in Ontario. Prior to this move, some employers and labour organizations were opposed to eliminating mandatory retirement and expressed concern about the negative impact such a move would have on business and on individual workers. This exploratory descriptive study examines HR managers' (N = 415) perceptions of the impact of the elimination of mandatory retirement in Ontario. Compared with HR managers in organizations not practicing mandatory retirement, HR managers in organizations with a mandatory retirement policy reported their organization had significantly fewer HR practices in place tailored to older employees and would be significantly more likely to respond to the elimination of mandatory retirement by implementing new HR practices or by modifying existing HR practices.*

The implementation of legislation banning mandatory retirement in Ontario in December 2006 has changed the employment scene and raises the question investigated in this study: How do HR managers from a wide range of organizations across Ontario feel about the elimination of mandatory retirement and what impact do they perceive this will have on their own organization? Of particular interest were the contrasting views of HR managers in organizations that had mandatory retirement in place prior to the new legislation versus those whose organizations did not. Whereas age discrimination is banned across Canada, in late 2005 age caps were still in place in several jurisdictions allowing mandatory retirement after a certain

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age (usually 65). In fact, in those jurisdictions where mandatory retirement is allowed, about 50% of workers face mandatory retirement provisions in their employment contract, although only between 12 and 21% of workers actually retire because of a mandatory retirement clause (Gunderson and Pesando, 1998; Hewitt Associates, 2003; Loterman and Zahid, 2003).

### ***CONCEPTUAL FRAMEWORK***

In the past, mandatory retirement has been an accepted part of the HR reality, providing what Gunderson (2003) considers to be an implied social or employment contract in which younger workers are willing to defer earlier compensation benefits till later and take on positions opened up by expected retirements. In addition, many models of career development have traditionally assumed a correlation between chronological age and particular career “stages”, usually implying a final winding down phase in which reduced performance expectations were accepted on the assumption of a fixed retirement schedule. Of particular concern in an era of cost-sensitive HR policies, the practice of mandatory retirement has been assumed in the planning of employee compensation and benefit systems.

The depreciation and conservation models proposed by Yeatts, Folts and Knapp (2000) may be especially relevant in the case of mandatory retirement. The depreciation model implies that an employee’s value to an organization peaks in early career, plateaus in mid-career and then declines toward retirement. According to this model, employers will view investment in older workers as costly and therefore employers are unlikely to implement human resource practices designed to accommodate the needs and preferences of older employees. In fact, employers adhering to the depreciation model are likely to provide incentives to encourage older employees to leave their organization. In contrast, the conservation model views all employees as renewable assets that continue to add value to the organization throughout their career. According to this model, employers will view investing in older employees as a wise investment that can yield a high rate of return. Thus, employers adhering to the conservation model are likely to have human resource policies and practices designed to retain their older employees. Although our study was exploratory in nature, we expected that organizations practicing mandatory retirement would be more likely to follow the depreciation model and not be investing in human resource practices targeted at the recruitment and retention of older workers. Conversely, we expected organizations without a fixed retirement age to take the view of the conservation model that older employees are worthy of investment and to have in place human resource practices targeted at older employees. However, we also expected that HR managers in organizations

practicing mandatory retirement would report that the elimination of mandatory retirement would have a greater impact on their organization than those HR managers whose organizations did not have fixed retirement.

### ***Mandatory Retirement in Ontario—Overview***

Mandatory retirement is the practice of requiring an employee to retire from a particular organization or employment contract upon reaching a certain age (van Sluys, 2005). In Ontario this age was typically 65, because employers were allowed to implement mandatory retirement policies since people over the age of 65 were exempted from the protection of the Ontario Human Rights Code. Mandatory retirement in Ontario was challenged in the courts (Gunderson, 2003) but was upheld by the Supreme Court of Canada. In a 2001 report, the Ontario Human Rights Commission advocated that mandatory retirement be eliminated. The Commission noted that in order for mandatory retirement to be made illegal, it would be necessary to amend the Ontario Human Rights Code and only the Legislative Assembly of Ontario can amend the Code. In its recommendations, the Commission stated that the Code should be amended to eliminate the blanket defense of mandatory retirement at age 65 and to extend protection against age discrimination to workers over 65. The Commission also recommended that employers take steps to ensure that workplace policies and procedures do not have an adverse effect on older workers.

On June 7, 2005, the Government of Ontario introduced Bill 211, *Ending Mandatory Retirement Statute Law Amendment Act*. Among its provisions, the bill amended the Ontario Human Rights Code so as to remove the cap of age 65 for protection against discrimination in employment. This legislation, which became effective December 12, 2006, has to all intents and purposes ended the practice of mandatory retirement in Ontario (O'Brien and Cushing, 2005). Employers will only be permitted to have a mandatory retirement policy in place if they can demonstrate that age is a *bona fide* occupational requirement. Thus, Ontario joins the three other jurisdictions in Canada that have banned mandatory retirement: Manitoba and Quebec which abolished mandatory retirement in 1982 and 1983, respectively, and the federal government which voluntarily eliminated mandatory retirement in the federal civil service in 1986 (Gunderson, 2003; Shannon and Grierson, 2004). Saskatchewan has announced plans to do the same and the Federal Government, through previous Prime Minister Martin, has clearly set the scene for its eventual disappearance (Ibbott, Kerr and Beaujot, 2006).

### ***Forces Influencing the Elimination of Mandatory Retirement in Ontario***

The elimination of mandatory retirement is not without controversy. While trade unions strongly oppose age discrimination, there has not been

much reported on their views about mandatory retirement. Sargeant (2004) suggests that this is likely the result of both limited resources, but more particularly because their members' interests have been elsewhere—there just is not all that much member pressure to tackle issues related to retirement ages or, indeed, age discrimination. Sargeant does point out that the issue is further complicated by the necessary distinction between contractual retirement age, pensionable retirement age and actual or normal retirement age. These may or may not coincide, but it is only contractual retirement age that is eliminated by the legislation.

Prior to introducing the legislation, the Government conducted an extensive consultation process involving a series of meetings across the province to gather information on how different groups of people viewed mandatory retirement and what impact the elimination of mandatory retirement would have. Some employers and labour organizations as well as the New Democratic Party were strongly opposed to abolishing mandatory retirement and expressed concern about the negative impact such a move would have on businesses and on individual workers. On the other hand, the Human Resources Professionals Association of Ontario (HRPAO) (2004) submitted a brief to the Ontario Minister of Labour supporting the government's initiative to prohibit mandatory retirement based solely on age.

There were a number of reasons why it made sense at this time to ban mandatory retirement. The aging of the Canadian population has changed the age distribution of the Canadian labour force toward older workers (Agarwal, 1998; Ibbott, Kerr and Beaujot, 2006). At the same time, there has been a slow-down in the growth of the working-age population. Labour market activity is declining among older workers as is the average retirement age. Agarwal argued that the threat of labour shortages will require employment strategies that slow down the withdrawal of older workers, not force them to leave a particular organization or position. Labour shortages are currently being experienced in certain sectors including health, education and construction and this is expected to increase when the baby-boom generation retires (Ontario Human Rights Commission, 2001). According to Watson Wyatt Canada (2007), demographic pressures that lie ahead will make mandatory retirement an anachronism in many industry sectors. They argue that it really does not make much sense to force retirement upon capable seniors who wish to continue working.

Another factor influencing the decision to eliminate mandatory retirement is that people are not only living longer, on average 20 years past 65, but they are generally in better health, more active and better able to continue working than in the past (Agarwal, 1998; O'Brien and Cushing, 2005; Ontario Human Rights Commission, 2001). O'Brien and Cushing (2005) suggested that active involvement in the labour force may

actually enhance workers' health and prolong their life expectancy. The Ontario Human Rights Commission pointed out that it is better for society to reap the benefits and contributions (i.e., tax revenues) of having people working rather than drawing income from the state. The Commission also argued that mandatory retirement has a negative financial impact on certain individuals including women with discontinuous employment histories, recent immigrants, and people with dependent children as well as a negative psychological and emotional impact on people who wish to continue working but are forced to retire because they have turned 65. Finally, there is an international trend toward banning mandatory retirement (Ontario Human Rights Commission, 2001). The Commission noted that other countries, including the United States, New Zealand and Australia, have eliminated mandatory retirement without major consequences.

### ***Impact of Banning Mandatory Retirement—The Evidence***

Ibbott, Kerr and Beaujot (2006) noted that the evidence regarding the extent to which workers may prefer to continue working yet are forced to retire is very limited and increasingly dated. They also contended that other forces, such as incentives and reasons for exiting the labour force before the age of 65, will override any change in retirement policy. The Ontario Human Rights Commission (2001) observed that in workplaces and jurisdictions that did not have mandatory retirement, very few workers chose to remain past age 65 and those who did tended to retire within a year or two. Reid (1988) examined the labour force participation rates of persons 65 and over in Manitoba and Quebec. Reid concluded that bans on mandatory retirement in these two provinces showed only small and statistically insignificant impacts on the participation rate of people 65 and over. Reid also claimed that the participation rates of people 65 and over were so insubstantial that they failed to reverse the trend of declining participation rates for older workers. Shannon and Grierson (2004) compared the employment rates of 65-69 year olds in Manitoba and Quebec with the employment rates of this age group in provinces where mandatory retirement was in place. These researchers found that there was little evidence that eliminating mandatory retirement resulted in a significant increase in employment rates for people 65 and over. Shannon and Grierson concluded that the number of people affected by mandatory retirement is quite small and banning mandatory retirement is unlikely to do much to alleviate future skill shortages. Kesselman (2004) reported that an additional 3 to 10 percent of Canadian workers would choose to continue in their jobs if mandatory retirement were banned. Kesselman concluded that, "Overall, the available evidence suggests that the abolition of CMR is unlikely to have a major impact on average retirement ages or years of work in Canada" (p. 7). A

similar conclusion is reached in a current article examining the attempt by Air Canada pilots to eliminate mandatory retirement (at age 60) in the aviation industry (Campbell, 2007).

Although limited, the evidence shows that abolishing mandatory retirement will not result in a significant number of people remaining in the workforce beyond the age of 65. We do know that older workers are more likely to remain in the workforce when organizations have tailored their human resource practices to accommodate their needs and preferences (Hedge, Borman and Lammlein, 2006; Organisation for Economic Co-operation and Development, 2006; Patrickson, 2003). This suggests that the ban on mandatory retirement should be accompanied by greater attention to an organization's business and human resource practices (Kesselman, 2004).

Given the recency of the legislative change in Ontario, there is little research into the HR response to the elimination of mandatory retirement. The HRP AO carried out a small on-line survey of 173 HR professionals in November 2006 (Galt, 2006). They found that 75% of participants supported the ending of mandatory retirement and most were considering a variety of initiatives such as job modifications for older workers to best respond to the new regulations. However, there was no analysis of how long such initiatives had been planned and no consideration of whether or not they had actually had mandatory retirement regulations in place.

### ***HR Implications of Eliminating Mandatory Retirement***

In its brief to the Ontario Ministry of Labour, the HRP AO stated that whereas it did support the elimination of mandatory retirement, at the same time it had concerns about the effect this would have on human resource practices, procedures and policies. Agarwal (1998), Gunderson (1983) and O'Brien and Cushing (2005) discussed the possible HR implications when mandatory retirement is eliminated. These authors suggested that eliminating mandatory retirement would have implications for human resource planning, performance management, compensation, training, and retirement policies. However, in our review of the existing literature, we could find no empirical studies that have examined the HR implications. The removal of a fixed retirement date would have implications for recruitment, and succession planning. It would also require employers to implement a performance management system for older workers because they could no longer rely on workers leaving when they reached 65. Gomez, Gunderson and Luchak (2002) cautioned that if mandatory retirement is banned, then private dismissal of older workers will likely become more and not less common, as will monitoring and evaluation to protect against claims of unjust dismissal.

Perhaps the most important implications relate to the employee compensation system, both in terms of employment contracts and available

benefits. Fair compensation systems have long been based on implied exchange contracts between employees and their organization. One of the arguments in support of mandatory retirement is Gunderson's (2003) claim that compensation schemes are based on underpaying workers for the first part of their career and overpaying them for the second part. Several studies have identified the important role that pensions play in the decision to retire (Luchak, 1997; Reid, 1988; Sarfati, 2004). Employers would not only have to examine their wage and salary schemes, but they would also have to look at the provisions of their pension plans, for example, enrolment of new employees after normal retirement age and accrual of pension benefits when retirement is deferred.

The elimination of mandatory retirement also requires a significant shift in traditional HR policies that focus development and flexible options on younger employees, on the assumption that older workers will retire. Employers would need to ensure that older workers had access to training as well as to change the training approach to make it more 'age-friendly' such as using self-paced, non-competitive and experiential training methods. Finally, employers would need to provide greater flexibility to the retirement process by implementing options for early, normal, phased and delayed retirement dates.

## ***METHOD AND DATA***

### ***Participants and Procedure***

From the Certified and Practitioner membership list of the Human Resources Professionals Association of Ontario (HRPAO), individuals were selected whose job titles indicated that they were upper-level HR managers (Directors and Vice-Presidents). In the fall of 2005, each of the 2,000 selected HR managers was sent a questionnaire packet containing a cover letter, a questionnaire booklet, and a stamped envelope for the return of the completed questionnaire. Thirty-four questionnaires were returned (not deliverable) and six HR managers indicated they were not eligible to participate, e.g., some had retired. Questionnaires from 417 HR managers were received, 415 of which were usable, giving a response rate of 21%. This compares with a 29% response rate for a study of Canadian HR executives conducted by Towers Perrin (1991), a 15% response rate for a study of U.S. HR managers conducted by Rosen and Jerdee (1990), and a 20% response rate for a study involving 2500 members of the Society for Human Resource Management conducted by Collison (2003). A meta-analysis conducted by Cychota and Harrison (2006) of top manager response rates in top management journals from 1992 to 2003 found the median



response rate was 28% which the authors noted was considerably lower than that found in other populations.

### ***Measures***

*Mandatory retirement policy.* To determine if their organization currently had a mandatory retirement policy in place, respondents were asked “Does your organization currently have a fixed (mandatory) retirement age?” The response categories were Yes or No.

*Perceived impact of the elimination of mandatory retirement.* The HR managers’ overall perception of the impact of the elimination of mandatory retirement was initially assessed by asking them “Overall, what impact would the elimination of mandatory retirement have on your organization?” The response categories ranged from 1 (No impact at all) to 5 (Wide-ranging impact). This was followed up with an open-ended question asking them to elaborate on their response. Participants were then asked what effect the elimination of mandatory retirement would have on their organization’s retention of older managerial and professional employees. The response categories for this question ranged from 1 (No effect at all) to 5 (Great effect).

*HR practices organization currently engaging in.* From the literature on older workers, a list of 14 HR practices was developed, specifically tailored to meet the needs and preferences of managerial and professional employees aged 50 and over. HR managers were asked to indicate the extent to which their own organization was currently engaging in each of these practices. The response categories were 1 (Not at all engaged in doing this), 2 (Somewhat engaged in doing this), and 3 (Highly engaged in doing this).

*Possible actions in response to the elimination of mandatory retirement.* A list of 12 actions that an organization may take in response to the elimination of mandatory retirement was developed. Respondents were asked to indicate the likelihood that their own organization would take each action. Sample items are “Increasing training and development spending for older managers/professionals” and “Improving benefit coverage (pension, insurance, health care) for older managers/professionals.” The response categories ranged from 1 (Not at all likely) to 5 (Extremely likely).

*Organizational characteristics.* Respondents were asked to indicate their organization’s industry classification, the size of their organization, and whether their organization was located in a large city or metropolitan area or a small community or rural area.

### ***Data Analysis***

Due to the exploratory nature of this study, the analyses were based primarily on percentages. Cross-tab analyses were conducted and

chi-squares were used to identify significant differences among groups. To ensure adequate numbers in each cell, the 5-point response categories were collapsed into three categories so that, for example, no effect and little effect became one category as did moderate effect and great effect.

## ***RESULTS***

To establish how representative our sample was of organizations in Ontario, we compared the percentage of HR managers in the industry sector categories included in the questionnaire with Statistics Canada (2008a) employment percentages by major industry groups in Ontario. The percentage for the eight industry sector categories (with Statistics Canada percentages in brackets) were as follows: educational services 5% (7%), finance/insurance 6% (7%), healthcare and social assistance 13% (10%), high tech 6% (8%), manufacturing 27% (14%), public administration 7% (6%), wholesale and retail trade 4% (15%), and other 32% (33%). Fifty-eight percent of the HR managers were in organizations with less than 500 employees and 42% were in organizations with 500 or more employees. According to Statistics Canada (2008a) data on Ontario employment by enterprise size (number of employees), 53% of organizations had less than 500 employees and 47% of organizations had 500 or more employees.

Forty-three percent of the respondents reported that the elimination of mandatory retirement would have little impact on their organization, 25% indicated it would have some impact, and 32% indicated that the elimination of mandatory retirement would have a substantial impact on their organization. When asked specifically about the effect the elimination of mandatory retirement would have on their organization's retention of older managerial and professional employees, 60% felt that it would have little effect, 23% indicated some effect, and 18% indicated that the elimination of mandatory retirement would have a substantial effect on the retention of older managerial and professional employees. Content analysis of an open ended request for elaboration found that the most frequently cited reasons the elimination of mandatory retirement would have no impact were that their employees were too young for this to be an issue, employees leave earlier than age 65 anyway, and their organization did not practice mandatory retirement. The most frequently mentioned impacts were shift of emphasis to performance (appraisal, productivity) indicated by 19% of the respondents, concern over physical limitations as employees age (health concerns, concerns over increased injuries) indicated by 18% of the respondents, higher costs (insurance costs, new programs) indicated by 15% of the respondents, and change in benefits offered indicated by 12% of the respondents.

Just over half (52%) of the HR managers indicated that their organization had a mandatory retirement policy in place. There were significant

differences in the perceived impact of the elimination of mandatory retirement between HR managers whose organizations currently had a mandatory retirement policy in place and those whose organizations did not. These results are shown in Table 1. HR managers whose organizations were currently practicing mandatory retirement perceived a significantly greater impact of the elimination of mandatory retirement on their organization in general and on their organization's retention of its older managerial and professional employees than did HR managers whose organizations were not practicing mandatory retirement.

TABLE 1  
**Perceived Impact of the Elimination of Mandatory Retirement**

	<i>No Fixed Retirement</i>	<i>Fixed Retirement</i>	<i>Chi-square</i>	<i>p</i>
Impact on organization in general			88.66	< .001
No impact	67%	21%		
Some impact	17%	33%		
Substantial impact	16%	46%		
Impact on retention of older managers/ professionals			34.02	< .001
No effect	74%	46%		
Some effect	15%	31%		
Substantial effect	11%	23%		

There were also significant differences in certain organizational characteristics between HR managers whose organizations currently had a mandatory retirement policy in place and those whose organizations did not. These results are shown in Table 2. HR managers whose organizations were currently practicing mandatory retirement were more likely to be large (> 500 employees); located in a small community or rural area (marginally significant only); more likely to have downsized in the past five years and more likely to be in the public rather than private sector.

The human resource practices tailored to older managerial and professional employees that HR managers reported their organization currently had in place were examined next. These results are shown in Table 3. Compared with HR managers in organizations not practicing mandatory retirement, HR managers in organizations with a mandatory retirement policy in place reported their organizations were significantly less likely to be providing flexible work schedules, were less likely to recognize the accomplishments of managers/professionals aged 50 and over and to ensure that older managers/professionals are treated with respect by

TABLE 2  
Organizational Characteristics and Mandatory Retirement Practices

<i>Characteristic</i>	<i>No Fixed Retirement</i>	<i>Fixed Retirement</i>	<i>Chi-square</i>	<i>P</i>
Size			4.565	.033
< 500 employees	64%	53%		
> 500 employees	36%	47%		
Location			3.742	.053
Large community – urban	78%	69%		
Small community – rural	22%	31%		
History of Downsizing			5.103	.024
Not Downsized in last five years	65%	54%		
Downsized in last five years	35%	46%		
Public versus Private Sector			6.537	.011
Private Sector	73%	58%		
Public Sector	27%	42%		

others in the organization. On the other hand, HR managers in organizations with mandatory retirement in place reported that their organizations were significantly more likely to rehire managerial/professional retirees on a contract basis than HR managers in organizations not practicing mandatory retirement.

Table 4 presents the findings for the possible HR actions that HR managers perceive their organizations may take in response to the elimination of mandatory retirement. Compared with HR managers in organizations not practicing mandatory retirement, HR managers in organizations with mandatory retirement in place reported their organizations were significantly more likely to respond by revising human resource plans to specifically include older managers/professionals, providing age awareness training for supervisors and employees, adjusting the formal performance assessment system to take account of older managers/professionals, and focusing recruitment efforts on attracting older managers/professionals. Those HR managers in organizations with a mandatory retirement policy in place who perceived that the elimination of mandatory retirement would have a substantial effect on their organization were significantly more likely to expect their organization to revise human resource plans to specifically include older managers/professionals (chi-square = 24.79,  $p < .001$ ), to increase training and development spending for older managers/professionals (chi-square = 14.75,  $p < .01$ ), and to provide age awareness training for people who supervise older managers/professionals (chi-square = 10.50,  $p < .05$ ) than HR managers in organizations with a mandatory retirement

TABLE 3  
HR Practices Tailored to Older (50+) Managerial and Professional Employees Organization Currently Engaging In

HR Practices	No Fixed Retirement			Fixed Retirement			Chi-square
	Not doing this	Some-what doing	Doing this a lot	Not doing this	Some-what doing	Doing this a lot	
Adjusting efforts to attract people 50 and over	71%	25%	4%	78%	21%	1%	---
Providing flexible work schedules	34%	42%	24%	42%	46%	12%	11.07**
Targeting 50+ managers and professionals for training	64%	31%	5%	68%	28%	4%	.70
Providing age awareness training for managers	89%	10%	1%	87%	12%	1%	---
Educating managers on effective utilization of 50+	89%	9%	2%	87%	12%	1%	---
Providing challenging assignments to 50+	31%	43%	26%	34%	45%	21%	.47
Recognizing accomplishments of 50+	35%	37%	28%	38%	46%	16%	8.47*
Ensuring 50+ treated with respect	24%	31%	45%	23%	44%	33%	7.89*
Providing 50+ with feedback on their performance	14%	39%	47%	15%	39%	45%	.10
Conducting fair performance appraisals	15%	34%	51%	15%	33%	52%	.07
Ensuring close link between salary and assessment	16%	37%	47%	26%	32%	42%	5.65
Ensuring promotion linked to performance assessment	16%	32%	52%	17%	38%	45%	1.89
Providing phased retirement options	54%	36%	10%	54%	36%	9%	.06
Rehiring mgr/professional retirees on contract basis	58%	29%	13%	35%	45%	20%	22.54***

Note. --- indicates that some cells had expected counts of less than 5.  
\*  $p < .05$  \*\*  $p < .01$  \*\*\*  $p < .001$

TABLE 4  
Fixed versus No Fixed Retirement: Possible HR Actions in Response to the Elimination of Mandatory Retirement

HR Actions	No Fixed Retirement			Fixed Retirement			Chi-square
	Not likely	Some-what likely	Very likely	Not likely	Some-what likely	Very likely	
Revising HR plans to include older mgrs/professionals	64%	22%	14%	44%	29%	27%	16.87***
Increasing training and development spending	75%	17%	8%	65%	23%	12%	4.83
Providing age awareness training for supervisors	65%	20%	15%	52%	29%	19%	6.47*
Providing age awareness training for employees	71%	16%	13%	57%	28%	15%	9.48**
Adjusting the performance assessment system	83%	10%	7%	70%	20%	10%	10.29***
Improving benefit coverage (pension, ins, health care)	71%	16%	13%	72%	18%	10%	.99
Offering alternative work arrangements	45%	23%	32%	45%	30%	25%	3.15
Focusing recruitment efforts on older mgrs/professionals	66%	22%	12%	75%	23%	2%	16.86***
Encouraging older mgrs/ professionals to retire later	58%	26%	16%	65%	50%	13%	2.22
Providing opportunities to reduce job responsibilities	56%	30%	14%	62%	24%	14%	.36
Providing opportunities to serve as mentors	27%	33%	40%	26%	35%	39%	.17
Providing special contracts to serve in a different role	42%	31%	27%	32%	31%	37%	5.57

\*  $p < .05$  \*\*  $p < .01$  \*\*\*  $p < .001$

policy but who felt the elimination of mandatory retirement would have little effect on their organization.

The study also examined whether certain organizational characteristics would be associated with the types of human resource actions HR managers in organizations with a mandatory retirement policy in place would take in response to the elimination of mandatory retirement. The organizational characteristics examined in this study were organizational size, industry sector (private or public), location (large city or metropolitan area versus small community or rural area), and whether the organization had downsized its workforce in the past five years. There were two significant differences. HR managers in organizations with less than 500 employees reported that their organizations were significantly more likely to consider offering alternative work arrangements, such as part-time and job sharing to retain older managers/professionals (chi-square = 6.08,  $p < .05$ ); and to provide opportunities for older managers/professionals to serve as mentors than HR managers in larger organizations (chi-square = 6.59,  $p < .05$ ).

In addition, HR managers in public sector organizations with a mandatory retirement policy in place reported that their organizations were more likely to consider offering alternative work arrangements, such as part-time and job sharing, to retain older managers/professionals (chi-square = 13.48,  $p < .001$ ); and providing opportunities for older managers/professionals to reduce their job responsibilities than HR managers in private sector organizations practicing mandatory retirement (chi-square = 6.75,  $p < .05$ ).

There was only one significant difference for location. For organizations with a mandatory retirement policy in place, HR managers whose organizations were located in a small community or rural area reported their organizations were significantly more likely to adjust the formal performance assessment system to take account of older managers/professionals (chi-square = 6.20,  $p < .05$ ) than HR managers whose organizations were located in a metropolitan region or large city. There was also only one significant difference for downsizing. For organizations with a mandatory retirement policy in place, HR managers whose organizations had downsized their workforce in the past five years indicated that their organizations were significantly less likely to provide opportunities for older managers/professionals to reduce their job responsibilities (chi-square = 6.74,  $p < .05$ ) than HR managers in organizations that had not undergone downsizing.

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## ***DISCUSSION***

The results do provide some support for our expected findings in terms of the human capital view of the organization proposed by Yeats, Folts

and Knapp (2000), contrasting the *depreciation* (employees lose value as they age) and *conservation* (employee value remains renewable over time) perspectives of employee contribution. We found that organizations practicing mandatory retirement (depreciation model) did put less effort into current HR practices aimed at older workers and were more likely to require considerable HR policy responses to the legal elimination of their mandatory retirement practices. Similarly, those organizations without mandatory retirement in place did appear to follow a conservation perspective and have more HR practices currently in place focused on older workers and the HR managers in these organizations perceived less need to respond to the new legislation with possible HR actions.

There was a size and sector effect operating in that we found larger and public sector organizations more likely to have fixed retirement practices in place. It appears as if such organizations may operate more comfortably in the predictable setting of mandatory retirement following the implied social contract proposed by Gunderson (2003) in which employees accept reward limitations in their earlier career on the understanding of receiving them later. For example, employees accept the need for excessive overtime hours in their youth but also expect a more relaxed work schedule as they approach a planned retirement date.

The overall results, however, demonstrate relatively few significant differences between the two groups. In general, organizations with and without a fixed retirement policy in place are doing relatively little in developing HR policies and procedures to recruit and actively retain older workers. While disappointing, this is not out of line with other research findings pointing to a general lack of pro-active HR practices directed towards older workers. Taylor (2000) found something of a disconnect in practice, with some employers willing to retain older workers, but very few actively recruiting older workers. Thus it is perhaps not unexpected that, in our study, the only significant differences were in more immediate and practical activities such as offering flexible work opportunities and providing recognition and respect of older employees.

Despite the limited number of significant differences, our results do support the notion that human capital assumptions may be at work. Thus, it does appear that HR managers in organizations which practice mandatory retirement may hold a depreciation view of their employees' contributions and feel there is little value-added for engaging in HR practices directed at older workers because such employees will be leaving anyway.

### ***Study Limitations***

This study has certain limitations. The focus of the study was on managers and professionals and the responses of HR managers may differ



for older employees in other occupational groups such as those in skilled trades. The study is a self-report investigation of the perceptions of HR managers—what they believe their organization does or will do. This may not be the same as the actual actions their organizations will take as a result of the elimination of mandatory retirement. In addition, there are problematic social desirability issues in the study, e.g., HR managers may be reluctant to admit to a lack of engagement in “equitable” staffing practices and argue that they treat *all* their workers with respect. Such social desirability issues will need to be addressed in any future research.

Our sample was representative of Ontario organizations in terms of size and industry sector. Our analysis, however, was limited to an overall comparison of the private and public sectors because our sample was not large enough to examine differences across industry sectors such as manufacturing and health care. While organizational size, private/public sector, location and downsizing history were examined, other important labour and employee relations characteristics may influence the response to the elimination of mandatory retirement. For example, some professional employees, such as nurses, are unionized. Collective agreements will need to be amended to reflect the changed legal setting and management may need to follow more structured and specified procedures in a unionized setting.

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## ***CONCLUSIONS***

Comparisons with other jurisdictions in which mandatory retirement has been banned for some time suggest that there will likely be little impact of the elimination of mandatory retirement on overall participation rates of older workers in Ontario (Mahoney, 2006). While there has been an increased tendency for workers aged 55 and older to participate in the labour force in the past five years, overall participation rates are less than 60% and median retirement age is still below 65 (Statistics Canada, 2008b). There are sectoral differences, however. For example, in U.S. universities a number of faculty members have chosen to remain well beyond 65 (Ashenfelter and Card, 2002; Clark and Ghent, 2008).

Where there is likely to be much more impact is on HR policies, particularly in the areas of job design, performance evaluation, compensation and benefits. Traditional HR practices assuming mandatory retirement will no longer satisfy the changed realities of the employment contract from either a psychological or economic perspective. In addition, organizations in general will be facing labour shortages as the postwar cohort exits the workforce and will, therefore, need to implement those HR practices that encourage older workers to remain. Such practices include revising human resource plans to reflect the reality of more employees working

past their previously expected retirement date, revising performance appraisal and control systems to reflect the reality of an aging workforce, finding ways to manage increased benefit and pension costs and revised actuarial assumptions, devising new development programs to maximize the contributions of older workers, particularly in areas of adult learning and mentorship, and developing special contracts and flexible work arrangements to accommodate new forms of “pre-and post-retirement” workers.

There is a need for future research into the continuing impact of the elimination of mandatory retirement. If Gunderson (2003) and Ibbott, Kerr and Beaujot (2006) are correct in their assessment of mandatory retirement as part of an existing implicit HR compensation and retention strategy, then its elimination could have a significant impact on future HR strategy and result in some serious intergenerational conflict. The elimination of mandatory retirement creates some real dilemmas in the transition from work to retirement that deserve further analysis. In an insightful analysis, Roberts (2006) argues that it will not be easy to eliminate the existing intergenerational exchange system while at the same time encourage older workers to remain after retirement. Roberts argues for a fundamental re-look at the nature of work contracts in what he terms the development of the “new capitalism”.

In conclusion, it is evident that managers will need to go beyond what they are currently doing to be successful in the recruitment and retention of older managerial and professional employees. Some of these HR practices, such as part-time employment, job sharing, phased retirement, and discouraging early retirement, will require a change in the cultural attitudes that currently exist among both employers and employees. Overcoming these cultural attitudes may be one of the biggest challenges HR professionals face.

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## **RÉSUMÉ**

### **La suppression de la retraite obligatoire en Ontario : une vision de la gestion des ressources humaines**

Dans le passé, la retraite obligatoire était un aspect accepté de la réalité des ressources humaines (RH), associé à un contrat de travail implicite à l'intérieur duquel les travailleurs plus jeunes voulaient bien différer les bénéfices d'une rémunération immédiate et attendre les emplois disponibles suite aux prises de retraite prévues. De plus, plusieurs entreprises avaient retenu des modèles de dépréciation du capital humain faisant en sorte que la valeur des employés atteigne son sommet tôt dans la carrière pour diminuer graduellement tout au long de la carrière. Les perspectives des étapes de la carrière au sein de ce modèle affichaient habituellement une corrélation entre l'âge chronologique et des « stades » particuliers, impliquant une phase de cheminement finale, au sein de laquelle les attentes de performance diminuée étaient acceptées en retenant l'hypothèse d'une date fixe de retraite. De plus, la pratique de la retraite obligatoire était tenue pour acquise dans l'exercice de planification des systèmes de rémunération et d'avantages sociaux s'appliquant aux salariés. Par opposition, le modèle de maintien en emploi des ressources humaines considère tous les salariés comme des actifs renouvelables dans lesquels il est valable d'investir tout au long de leur carrière dans l'entreprise et, par conséquent, il ne comporte pas d'âge déterminé pour la retraite.

La mise en œuvre d'une loi interdisant la retraite obligatoire en Ontario a changé la situation de l'emploi et soulève la question suivante : comment les gestionnaires des ressources humaines perçoivent-ils ce changement et quels résultats leurs entreprises cherchent-elles à atteindre dans leur effort de planification des RH ? Cet essai fait état des conclusions d'une étude réalisée en 2005, qui cherchait à identifier la manière dont ces gestionnaires (N = 415), à l'emploi d'une panoplie d'organisations de cette province, envisageaient la suppression imminente de la retraite obligatoire et l'effet qu'une telle action aurait sur leur entreprise. Cette étude se veut une coupe instantanée des intentions des entreprises de l'Ontario, au moment où on s'apprêtait à mettre en vigueur la loi prohibant la retraite obligatoire.

Nous avons constaté une vision différente entre les directeurs des ressources humaines dans les organisations où il existait une politique de retraite obligatoire avant l'adoption de la loi et celles où il n'y en avait pas. À cette époque, dans près de la moitié de l'échantillon, il y avait un âge de retraite obligatoire et, sans surprise, on constatait qu'une proportion à peu près identique des répondants croyaient que sa suppression aurait un effet dans leur organisation. Ceux qui croyaient que le changement aurait peu

d'impact soulignaient le fait qu'ils n'avaient pas de politique de retraite obligatoire ou bien que leurs salariés étaient trop jeunes pour en subir l'effet ou encore qu'ils se retiraient tôt.

Les entreprises où les gestionnaires de ressources humaines recouraient couramment à la pratique de la retraite obligatoire étaient plus susceptibles d'être grandes (500 employés et plus); de se retrouver dans des localités restreintes ou des régions rurales; d'avoir procédé à une réduction de leur taille au cours des cinq dernières années et d'être dans le secteur public plutôt que dans le privé.

À l'encontre des entreprises sans programme de retraite obligatoire, les gestionnaires de celles offrant un tel programme mentionnaient que leur organisation possédait peu de pratiques de ressources humaines pour les salariés plus âgés et qu'ils devraient mettre en œuvre de nouvelles pratiques ou bien en modifier certaines. Peut-être pour répondre à ce qui semble socialement souhaitable, les gestionnaires de ressources humaines dans la plupart des entreprises prétendaient avoir de bons systèmes d'appréciation du personnel et de promotion liés à la performance. Les différences importantes apparaissaient surtout eu égard aux politiques plus pratiques, telles que l'offre de temps de travail flexible, tout en faisant preuve d'une reconnaissance et d'un respect à l'endroit des employés plus âgés. Les gestionnaires de RH dans les organisations qui possédaient un programme de retraite obligatoire ont possiblement senti que les salariés plus âgés présentaient peu de valeur ajoutée, alors qu'on était conscient qu'ils se retireraient de toute façon. Cependant, ces mêmes gestionnaires se rendaient compte de la nécessité d'avoir des politiques permettant le réembauchage des personnes retraitées pour des contrats particuliers. Il faut toutefois garder à l'esprit la présence possible de l'influence des facteurs liés à la taille et au secteur d'activités dans notre étude car les politiques de retraite obligatoire se retrouvaient surtout dans les organisations plus grandes du secteur public.

Malgré le nombre restreint de différences importantes, nos conclusions corroborent l'idée que des hypothèses concernant le capital humain soient à l'œuvre. Il appert que des gestionnaires de RH dans des entreprises avec un programme de retraite obligatoire peuvent avoir une vision qui sous-estime la contribution de leurs salariés et croient qu'il n'y aurait pas de valeur ajoutée par l'adoption de pratiques favorables aux travailleurs âgés, parce que ces derniers vont se retirer de toute manière.

Les conclusions sont à l'effet que les politiques de RH dépendent du fait qu'un enjeu particulier ait ou non un impact significatif. Les entreprises qui ont des programmes de retraite obligatoire sont plus susceptibles de réviser leur planification en RH, d'offrir une formation de sensibilisation au phénomène de l'âge, des pratiques d'appréciation du rendement et

d'attirer des travailleurs plus âgés, si elles croient que la suppression de la retraite obligatoire puisse avoir un impact positif sur leur organisation. Un facteur externe affectant l'organisation, tel qu'une modification à la loi, doit être porté à l'attention des dirigeants de l'organisation. Cela nous amène à signaler l'importance pour les professionnels de RH d'être proactifs en soulevant les enjeux externes et en les portant à l'attention de la direction.

On peut dégager de nos résultats un certain nombre d'implications pour la gestion des ressources humaines. Les entreprises devront élaborer de nouvelles politiques de RH pour faire face à l'abolition de la retraite obligatoire. Ceci s'applique d'une manière plus précise aux organisations qui possédaient des programmes de retraite obligatoire en vigueur avant sa suppression. Certaines organisations doivent s'attendre à prendre de nouvelles actions, incluant une révision des programmes de ressources humaines qui devront refléter la nouvelle réalité d'une main-d'œuvre qui continue de travailler après la date prévue pour leur retraite. Elles devront réviser les systèmes d'appréciation du personnel et de contrôle pour tenir compte de la réalité d'une main-d'œuvre qui vieillit au travail. Elles devront aussi trouver une façon de gérer une augmentation éventuelle des coûts des avantages sociaux et des prestations de retraite, réviser les hypothèses qui servent au calcul actuariel, mettre au point de nouveaux programmes de formation visant à maximiser la contribution des salariés plus âgés; enfin, élaborer des contrats de travail particulier et des aménagements flexibles afin d'accommoder les travailleurs qui veulent se retirer tôt et ceux qui veulent continuer après l'âge de la retraite habituelle.